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Attorneys for United Services Automobile Association

#### **BEFORE THE**

#### ARIZONA POWER PLANT AND TRANSMISSION LINE SITING COMMITTEE

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY IN CONFORMANCE WITH THE REQUIREMENTS OF ARIZONA REVISED STATUES 40-360, ET SEQ., FOR A CERTIFICATE OF ENVIRONMENTAL COMPATIBILITY AUTHORIZING THE NORTH VALLEY 230KV FACILITY SITING PROJECT, INCLUDING THE CONSTRUCTION OF APPROXIMATELY 31 MILES OF 230KV TRANSMISSION LINES, TWO 230KV SUBSTATIONS AND THREE SUBSTATION INTERCONNECTIONS IN MARICOPA COUNTY, ARIZONA, ORIGINATING AT THE WESTWING SUBSTATION IN SECTION 12, TOWNSHIP 4 **RANGE** 1 WEST, G&SRB&M INTERCONNECTING AT THE RACEWAY SUBSTATION IN SECTIONS 4 AND 5, TOWNSHIP 5 NORTH, RANGE 1 EAST G&SRB&M, CONTINUING TO THE PROPOSED AVERY SUBSTATION IN SECTION 15, TOWNSHIP 5 NORTH, RANGE 2 EAST, G&SRB&M AND THE PROPOSED MISTY WILLOW SUBSTATION IN SECTION 8, TOWNSHIP 4 NORTH, RANGE 3 EAST, G&SRB&M, AND TERMINATING AT THE PINNACLE PEAK SUBSTATION IN SECTION 10, TOWNSHIP 4 NORTH, RANGE 4 EAST B&SRB&M.

**CASE NO. 120** 

DOCKET NO. L-00000D-02-0120

UNITED SERVICES AUTOMOBILE ASSOCIATION'S PREFILED WITNESS TESTIMONY AND EXHIBITS

Pursuant to the Rules of the Arizona Power Plant and Transmission Line Siting Committee, United Services Automobile Association ("USAA"), by its undersigned counsel, hereby submits the prefiled testimony of its witnesses and copies of those exhibits USAA intends to offer into evidence at the hearing in the above referenced case.

Prefiled testimony of USAA witnesses:

- 1. Edward B. Kelley, MAI, President of USAA Real Estate Company.
- 2. Walter L. Bouchard, MPH, CIH, Principal of W.L. Bouchard & Associates, Inc.

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1	USA	A exhibits:
2	1.	Exhibit 1 - Aerial photograph of the interchange at I-17 and Happy Valley Road;
3	2.	Exhibit 2 - Photograph of the west side of I-17 at Dynamite Road, looking north at
4	69kV line and	d setbacks;
5	3.	Exhibit 3 - Photograph of the west side of I-17 at Juana Court, looking south at
6	69kV line and	d setbacks;
7	4.	Exhibit 4 - Photograph of KB home under construction, looking south towards
8	landfill;	
9	5.	Exhibit 5 - Photograph of the west side of I-17 and Happy Valley Road, looking
10	northwest tov	vards landfill;
11	6.	Exhibit 6 - Photograph of existing USAA office buildings;
12	7.	Exhibit 7 - Photograph of east side of I-17 at frontage road, near USAA property
13	entrance, loo	king northwest;
14	8.	Exhibit 8 - Photograph of vista looking east from USAA parking lot; and
15	9.	Exhibit 9 – USAA Norterra Campus Concept Plan.
16	RESP	PECTFULLY SUBMITTED this 22nd day of November, 2002.
17		FENNEMORE CRAIG, P.C.
18		
19		By Collaboration C. Webb Crockett
20		3003 North Central Avenue Suite 2600
21		Phoenix, AZ 85012 Attorneys for United Services
22	An original	Automobile Association
23	An original and 25 copies of the foregoing was delivered this 22nd day of November, 2002, to:	
24	Docket Con	
25	Arizona Co	rporation Commission Washington Street
26		rizona 85007

1	A copy of the foregoing was delivered/express mailed this 22nd day of November, 2002, to:
2	
3	Laurie A. Woodall, Esq. Chairman, Arizona Power Plant &
4	Transmission Line Siting Committee Paul Bullis, Esq., Alternate Chairman
5	Attorney General's Office 1275 West Washington Street Phoenix, AZ 85007-2997
6	Mr. Ray T. Williamson, C.E.M.
7	Chief, Economics & Research Utilities Division
8	Arizona Corporation Commission 1200 West Washington Street Phoenix, AZ 85007
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10	Mr. Richard W. Tobin II Acting Director
11	Arizona Department of Environmental Quality 1110 West Washington Street Phoenix, AZ 85007
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14	Department of Commerce 3800 North Central Avenue
15	Suite 1200 Phoenix, AZ 85012
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19	Pinal County Board of Supervisors 575 North Idaho Road, No. 101
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23	Honorable Mike Whalen Mesa City Council 1226 E. Downing Street
24	Mesa, AZ 85203
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FENNEMORE CRAIG Professional Corporation Phoenix

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### TESTIMONY OF EDWARD B. KELLEY

#### **TESTIMONY OF EDWARD B. KELLEY**

#### Before The Arizona Power Plant and Transmission Line Siting Committee Case #120 APS North Valley 230 kV Transmission Line Project

- Q. Please state your name and business address.
- A. Edward B. Kelley; 9830 Colonnade Boulevard, Suite 600; San Antonio, Texas 78230-2239
- Q. Who are you employed by and in what capacity?
- A. USAA Real Estate Company as its President & CEO.
- Q. What are your responsibilities as the President of USAA Real Estate Company?
- A. I am responsible for a Real Estate Investment portfolio of 60 commercial properties consisting of approximately 18 million square feet of space with an asset value of \$1.9 billion, and a Corporate Real Estate portfolio of approximately 7.5 million square feet and an asset value of approximately \$1 billion.
- Q. Please describe your background and work experience.
- A. I have undergraduate and graduate degrees in Finance; an MAI designation; and, over 35 years of commercial real estate experience as a lender, developer, and investor.
- Q, Would you describe who USAA is?
- A. USAA or United Services Automobile Association has been serving military families since 1922 and has become one of America's leading financial services companies. USAA offers its 4.8 million members a comprehensive range of insurance, banking and investment products and services designed to help them meet their financial needs.
- Q. Does USAA own property within the North Valley 230kV Study area?
- A. Yes. USAA owns 575 acres of land on which it is developing USAA's Phoenix Campus. We have already constructed a 230,000 square foot suburban office

complex that currently houses 1,200 USAA employees and has capacity for 1,700 employees. On October 16<sup>th</sup> of this year we broke ground on our second building which is scheduled for completion in 2004. This building can accommodate another 1,500 employees with expansion capability to 3,000. We anticipate building six million square feet of office space that could in the long term accommodate up to 30,000 employees.

- Q. What is the location of the USAA property?
- A. The property has approximately 1 mile of frontage on I-17 and is bounded by Happy Valley Road to the south, Jomax Road to the north and 19<sup>th</sup> Avenue to the east. The property is bisected by Norterra Parkway. The existing office building is situated between Norterra and the I-17 frontage road approximately 1/3 mile north of Happy Valley Road.
- Q. Describe the USAA property.
- A. The property is a great example of sonoran dessert with a mixture of native plants, shrubs and trees much of which we hope to preserve as we construct our campus. Access to services, local communities, and businesses is excellent. From a quality of life perspective we particularly value the views of the mountains and desert in the area. The character of the land and the view was a significant differentiating factor between our site and alternative sites being considered in Phoenix.
- Q. Were you involved in the negotiations leading to the purchase of the USAA property?
- A. Yes
- Q. What was your involvement?
- A. I was part of the decision-making team.
- Q. Describe the factors that were considered by USAA in determining whether to purchase the property.
- A. We started with an analysis of every major Standard Metropolitan Statistical Area ("SMSA") in the United States (approximately 85) and devised a proprietary model that evaluated the applicability of various SMSAs to USAA's requirements.

This process culminated with the rating of Phoenix as our #1 choice. Within Phoenix, we looked at a number of major land parcels in various parts of the Valley, and considerations included the visual character of the site as a future home for over 30,000 work stations, growth patterns, amenities, traffic and transportation patterns, availability of utilities, and many other factors.

- Q. What are USAA's plans for developing its property?
- A. This site is the proposed location of a major office campus for USAA. As I mentioned previously we have an office-building complex consisting of 230,000 square feet which is the first building, we developed on the site and in October of this year started construction on our second building.

Since we purchased the property in December 1999, USAA has performed an extensive master planning study. As a result we have developed a conceptual plan that would enable us to build a campus for approximately 30,000 employees plus other commercial development that could include hotels, retail, and other office development. Governor Hall has called this the single largest employment center development in Arizona's history. Exhibit 9 depicts that conceptual plan.

This is a similar concept to our San Antonio home office complex, which consists of 5 million square feet on 286 acres and was developed in phases over a number of years.

- Q. Why is USAA developing such a large campus?
- A. The Phoenix campus is designed to accommodate USAA's future growth as it occurs. USAA's Phoenix operations also serve a crucial business continuation role, enabling it to maintain operations and continue to serve its members in case of any interruption to business at the company's San Antonio campus or other regional offices. Unlike its regional property and casualty insurance offices, all USAA major lines of business, including property and casualty insurance, life insurance, investments and banks, are represented at the Phoenix campus.
- Q. Are you familiar with the Application for a Certificate of Environmental Compatibility that was filed by Arizona Public Service Company ("APS") on September 23, 2002 involving the North Valley 230kV Facilities Siting Project?
- A. Yes. USAA has been monitoring this project since we began due diligence on the site in the fall of 1999.
- Q. Is the USAA property located within the Project area?
- A. Yes.

- Q. Have you reviewed the routes proposed by APS for the construction of the 230kV transmission line?
- A. Yes.
- Q. Does USAA have an opinion with reference to the proposed route that should be approved by this Committee for the construction of the transmission line?
- A. Yes.
- Q. What is that opinion?
- A. USAA supports the proposed route of the applicant.
- Q. Is that the route which is indicated on Arizona Public Service Company Exhibit B by a gold line and goes down the west side of I-17?
- A. Yes.
- Q. Please describe the reasons why USAA is supportive of the route preferred by APS.
- A. USAA is supportive of APS's preferred route because we recognize the need for new power facilities in the area to support growth and because the proposed route properly considers the various siting opportunities and which constraints exist in the area.
- Q. In your opinion, what are the factors you believe are supportive of constructing the transmission line in accordance with the APS preferred route.
- A. USAA has focused its review on the portion of the route along I-17 from just north of the USAA property to the SRP corridor just south of Happy Valley Road. Along that portion of the route the Proposed Route best meets the siting considerations:
  - 1. The proposed transmission line route would consolidate an existing 69kV sub-transmission line on the west side of I-17 thereby avoiding the construction of a new transmission line on the east side where no line currently exists:

- 2. By locating the line on the west side of I-17 the proposed route would avoid the visual pollution created with parallel transmission lines on both sides of the freeway creating a transmission canyon;
- 3. The proposed route will minimize transmission line crossovers of l-17 which are a visual blight and a potential safety hazard; and
- 4. The proposed route will allow construction near the City of Phoenix landfill on the west side of I-17.
- Q. Does USAA object to constructing the transmission line along any of the alternative routes?
- A. Again, for the portion of the route we have been discussing USAA would strenuously oppose Alternate 1 which would place the line on the east side of I-17 directly in front of or on USAA property.
- Q. What are the reasons why USAA would object to constructing the transmission line along the alignment set forth in Alternative 1?
- A. The alternate route does not take advantage of the opportunity to consolidate the existing lines in the area, it would add to the visual pollution by placing lines on both sides of the highway and it doesn't take advantage of placing the lines along frontage of the landfill. In summary it would intensify the visual pollution along I-17 and dismiss the opportunity to at least neutralize the impact of the 230 KV lines.
- Q. Has USAA considered the impact on its property of constructing the line pursuant to Alternative 1?
- A. Yes. The placement of the 230 KV transmission line along the I-17 frontage of our property would greatly diminish the character of the proposed development and physically constrain the development opportunities available on the portion of the land between Norterra Boulevard and I-17.

As part of the site selection process we asked the City of Phoenix to realign Norterra Boulevard (aka 23<sup>rd</sup> Avenue) further to the west to increase the landmass between Norterra Boulevard and 19<sup>th</sup> Avenue. This created sites between I-17 and Norterra designed to take advantage of clear I-17 frontage. These sites had excellent frontage on I-17, but relatively shallow depth between I-17 and Norterra Boulevard. Therefore, the placement of the lines along I-17

frontage or potentially on USAA property could render these sites useless or significantly reduce their viability for the intended development.

- Q. Would you please summarize USAA's position with reference to constructing the transmission line along the APS Preferred Route and the Company's opposition to constructing the transmission line pursuant to Alternative 1.
- A. Yes. We have master planned our site for approximately 30,000 workstations and intend to construct a world-class campus. To date, we have completed a 230,000 square feet facility with over 1,700 workstations, and we have just started construction on an additional 1,500 work stations as part of a new 250,000 square feet building that will come on line in mid-2004. All of this has been accomplished since we purchased the property in December of 1999.

If we had thought that the power lines were to be located on the east side of I-17, we would not have purchased the property. Moreover, if they do in fact end up being located on the east side we will certainly reassess our plans as it relates to further development of the Phoenix campus.

It should be kept in mind that in addition to our 5 million square feet office campus located on 286 acres in San Antonio, we have four large regional campuses in other parts of the country averaging approximately 400,000 square feet of office space each. Additionally, our real estate investment portfolio is spread out over some 60 projects in 14 states and Washington, D.C. As such, we have many options other than continuing our growth in Phoenix, and we would take a hard look at those options and whether or not we want to continue expanding in Phoenix if the high-voltage utility lines are located on our frontage.

- Q Do you have a concluding statement?
- A. Yes. USAA is very supportive of the route proposed by APS which locates the transmission line on the west side of I-17. This route best meets the criteria for siting the line. The Proposed Route: (1) reduces visual impact; (2) takes advantage of consolidation with existing lines; (3) avoids placing a line where none exists; and (4) avoids the transmission canyon effect for I-17 in an area that is in essence the front door to Phoenix. I urge the Committee to approve the APS Proposed Route. I also want to thank the Committee for allowing USAA to present testimony and evidence in this proceeding.
- Q Does that conclude your testimony?
- A. Yes.

## TESTIMONY OF WALTER L. BOUCHARD

#### Testimony of W.L. Bouchard, MPH, CIH

#### Before The Arizona Power Plant and Transmission Line Siting Committee Case #120 APS North Valley 230 kV Transmission Line Project

- Q. Would you please state your name and place of employment for the record?
- A. My name is Walter L. Bouchard. I am a Principal Scientist with W.L. Bouchard and Associates, Inc. located in Scottsdale, Arizona.
- Q. Would you please describe your firm?
- A. W.L. Bouchard & Associates was formed in 1993 to provide environmental consulting services to clients in the Southwestern United States. We specialize in the siting and permitting of new facilities, environmental regulatory services, and assisting our clients in meeting their environmental goals through implementation of leading edge environmental management systems.
- Q. Mr. Bouchard, what is the purpose of your testimony today?
- A. The purpose of my testimony is to provide an opinion on the siting impacts of the transmission line links proposed by Arizona Public Service Company in the area of I-17.
- Q. On whose behalf are you providing your testimony?
- A. I am providing testimony on behalf of United Services Automobile Association (USAA) regarding the siting implications of the links in the area of I-17.
- Q. Mr. Bouchard, what are your qualifications to provide the testimony you are about to provide?
- A. I have over 25 years of direct experience in managing environmental siting and permitting for energy projects in Arizona. I am currently the Owner and Principal Scientist of W.L. Bouchard & Associates, Inc. a position that I have held since 1993. From 1994 1997, I was also a Vice President of Arizona operations with CH2M Hill, one of the worlds largest environmental engineering firms. In that position I also managed the firm's utility business in California, Nevada, and Arizona. Prior to that I held the senior environmental post at Arizona Public Service Company where I was the Director of the Environmental Department. I was employed at APS for 16 years. For 12 of these years I was directly responsible for the siting of transmission lines and generation facilities involving

technical studies, public outreach, and preparation of applications and hearings to obtain Certificates of Environmental Compatibility (CEC) in Arizona.

- Q. Are you currently associated with Arizona Public Service Company?
- A. My company has a Master Service Agreement (MSA) with APS to provide environmental consulting services as directed by mutually agreeable Work Orders, which are completed from time to time. My company is currently completing some minor modifications on some environmental software, which we provided to APS under that MSA. We have no other work with APS.
- Q. Would your past or present relationship with APS, prevent you from offering a completely unbiased professional opinion in this case?
- A. No. As an example, I frequently provide consulting services to electric companies that are in competition with APS.
- Q. What was the scope of your assessment?
- A. I reviewed the written record in this Case and conducted a brief field survey of APS's Proposed Route and Alternative Routes 1-4 from about 1/4 mile North of the existing Biscuit Flat Substation to the proposed Misty Willow Substation. Specifically, my analysis involved the 1/4-mile portion of link number 90 along I-17 immediately North of the Biscuit Flat Substation and link numbers 110, 115, 120, 140 (from I-17 to 19<sup>th</sup> Avenue, and link150. The subject areas that I reviewed included visual impacts, compatibility with existing land use, conformance with future land use plans, and biological impacts.
- Q. Mr. Bouchard, what are your findings regarding the Proposed Route from the standpoint of visual impacts?
- A. Assuming an alignment along I-17, there are four primary opportunities in which the Proposed Route has incorporated planning to reduce the visual impacts.

First, APS has committed that the proposed route will incorporate 1 1/2 miles of existing and future 69 kV transmission lines as an underbuild to lower visual impacts and consolidate transmission on the west side of I-17. This would include the 1/2 mile segment of existing 69 kV line south of the Biscuit Flat Substation which parallels the KB Homes development and 1 mile of future 69 kV line that will be underbuilt between Dynamite Road and the intersection of the Proposed Route with the SRP route south of Happy Valley Road. It appears that APS and ADOT have established a working relationship that will yield a solution to the final design of the Proposed Route. ADOT issued a letter to APS's consultant, EPG on November 19<sup>th</sup> that withdraws ADOT's previous opposition to

the project provided that APS work with ADOT on the final alignment and design plans. It is my understanding from conversations with APS representatives that there is a very adequate space available to achieve a final design that accommodates the I-17 right of way.

Cleaning up ~ 11/2 miles of existing and future 69kV transmission lines will lower land use impacts.

I would like to provide some examples of the planning that has already been completed in the area for the Proposed Route. The KB Homes development is roughly bordered by the CAP Canal to the North and I-17 to the East. The existing 69 kV transmission line in this residential area is shown in USAA's Exhibits 2 and 3. The first view in USAA Exhibit 2 shows the existing 69 kV transmission line as viewed from the intersection of Dynamite Road and 31<sup>st</sup> Avenue looking north along I-17. The second view in USAA Exhibit 3 shows the existing 69 kV transmission line as viewed from the intersection of Juana Court and 31<sup>st</sup> Avenue near the Biscuit Flat Substation looking south along the 69 kV transmission line alignment.

The important thing to note in both of these photographs is the planning for a transmission line corridor and setbacks that are present for location of APS's new transmission line.

The second area of opportunity, is that the Proposed Route's West side alignment avoids the problem created by Alternative 1 which would locate a new transmission line crossing of I-17 adjacent to the Biscuit Flat Substation and a new transmission line on the East side of I-17 paralleling the existing and future 69 kV line on the West side for 1 1/2 miles.

It is important to avoid the creation of an unsightly "transmission line canyon" from the point where Alternative 1 would cross at the Biscuit Flat substation to a point 11/2 miles South of the Substation. APS has provided several photo simulations illustrating this 11/2-mile section of I-17.

The third area of opportunity for visual impact reduction is the location of the transmission line along the edge of the Skunk Creek landfill. USAA Exhibit 5 shows the visual character of the Landfill. As you can see, the Landfill is an existing visual modification of the area that presents a significant opportunity for a transmission line location. In contrast, the visual character of the East side as shown in USAA Exhibits 6 and 8 is a clean and unobstructed vista. A new transmission line on the East side of I-17 would represent a significant new visual impact to the area.

The fourth area of opportunity for visual impact reduction, is that the Proposed Route would allow a single crossing of I-17 at about 1/4 mile South of Happy

Valley Road where an existing SRP 230 kV line crosses I-17. Thereby, eliminating a new TML crossing at I-17 near the Biscuit Flat Substation as described in Alternative Routes 1, 3, and 4. (Exhibit - Map).

- Q. Mr. Bouchard, what are your findings regarding the Proposed Route from the standpoint of existing land use?
- A. The Proposed Route is compatible with existing land uses in the area, near l-17.

The Application correctly indicates that existing land uses on the west side of I-17 (Link 115) are a mix of vacant undeveloped, residential medium density (KB Homes), and general industrial (Skunk Creek Landfill). A transmission corridor already exists on the eastern edge of KB Homes. Other uses to the north and south of KB Homes also present transmission line location opportunities as described already in my testimony.

The parallel land on the east side of I-17 (Link 110) is also a mixture of uses composed of residential high density (Continental Homes), vacant undeveloped, residential low density, light industry, and office/business park (USAA). There are no significant opportunities on the East side of I-17 to modify the impacts of a new transmission line. No line currently exists on the East side in this area and a new line would be significant to existing land uses.

This is particularly true in the case of USAA, who has a plan to construct an office campus, which at build out is planned to accommodate 30,000 people. Governor Hull has called this the single largest employment center development in Arizona's history. Mr. Kelley's testimony speaks to the impacts and limitations that a transmission line would have on USAA's plans for the site.

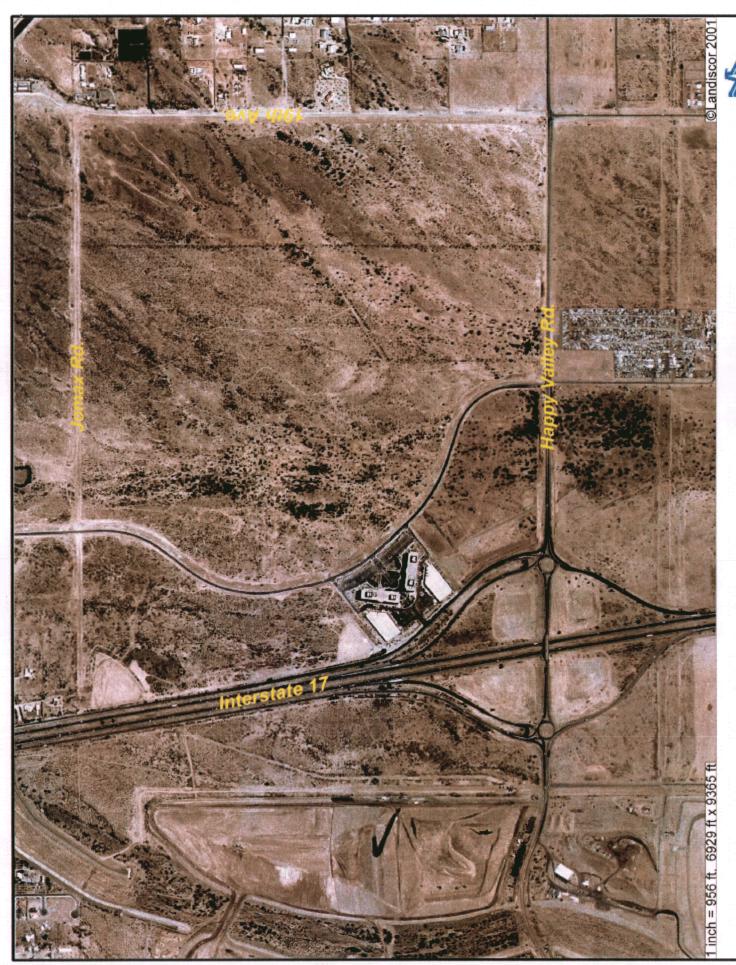
- Q. Mr. Bouchard, what are your findings regarding the Proposed Route from the standpoint of future land use?
- A. Future land use in the area of links 115 and 110 along I-17 were described in the Application based on input from City of Phoenix General Plan 2001, North Black Canyon Corridor Plan 1999, site plans from private developers, and communication between APS and various staff, planners, and developers.

The future land uses immediately adjacent to the Proposed Route's link 115 on the west side of I-17 are Residential Medium Density, Residential Low Density, Commercial Retail, a category termed "Flood Control Facilities, Canals, Floodplains, Lakes", Recreational Facilities and Open Space, and General Industrial. These uses are compatible with the location of the Proposed Route.

The future land uses immediately adjacent to Link 110 along the East side of I-17, appear to be further along in planning and the final uses more densely populated than future uses indicated along the Proposed Route. The Application lists future land uses on the East side as Residential Medium Density (Planned-Final Approval), Residential High Density (Planned - Final Approval), Residential Low Density; Recreational Facilities and Open Space (Planned - Final Approval); Residential Medium Density; Residential High Density; General Industrial (Planned - Final Approval); Office/Business Park, and Office/Business Park (Planned-Final Approval).

My conclusion in looking at the Future Land Use Exhibit A-4 in the Application and reviewing the record in this hearing is that in regard to future land use, the Proposed Route represents the lowest impact for a transmission line location along I-17.

- Q. Mr. Bouchard, what are your findings regarding the Proposed Route from the standpoint of biological resources?
- A. I have reviewed the Application, supporting reports, and previous studies. Based on this review, the Proposed Route appears to be compatible from a biological resource perspective. This conclusion is based on the presumption that APS will comply with all mitigation requirements and that a construction, mitigation, and restoration plan is filed in compliance with the proposed CEC Form of Order.
- Q. Mr. Bouchard in comparing the Proposed Route to the other routes in APS's Application, which do you think represents the most compatible route for APS's new 230 kV Transmission Line?
- A. Based on my review of the written record, field survey of APS's Proposed Route, and experience of over 25 years I conclude that the Proposed Route presents the most environmentally compatible route.
- Q. Does that conclude your testimony?
- A. Yes.



Aerial photo of interchange at I-17 and Happy Valley Road



Exhibit 2

West side of I-17 at Dynamite Road, looking north at 69kV line & setbacks

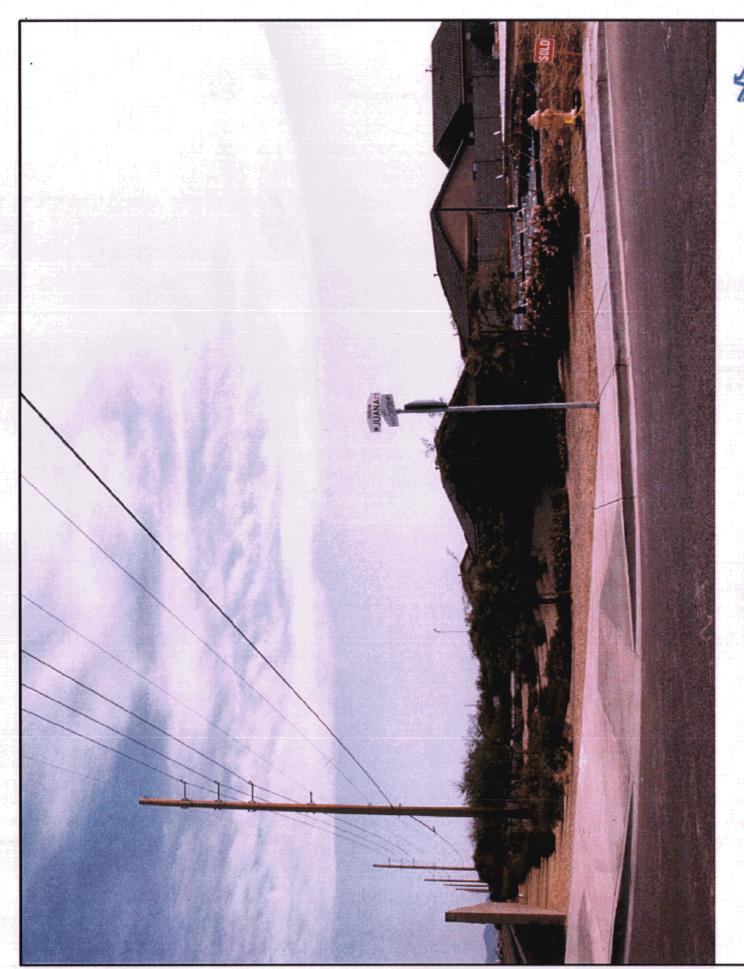
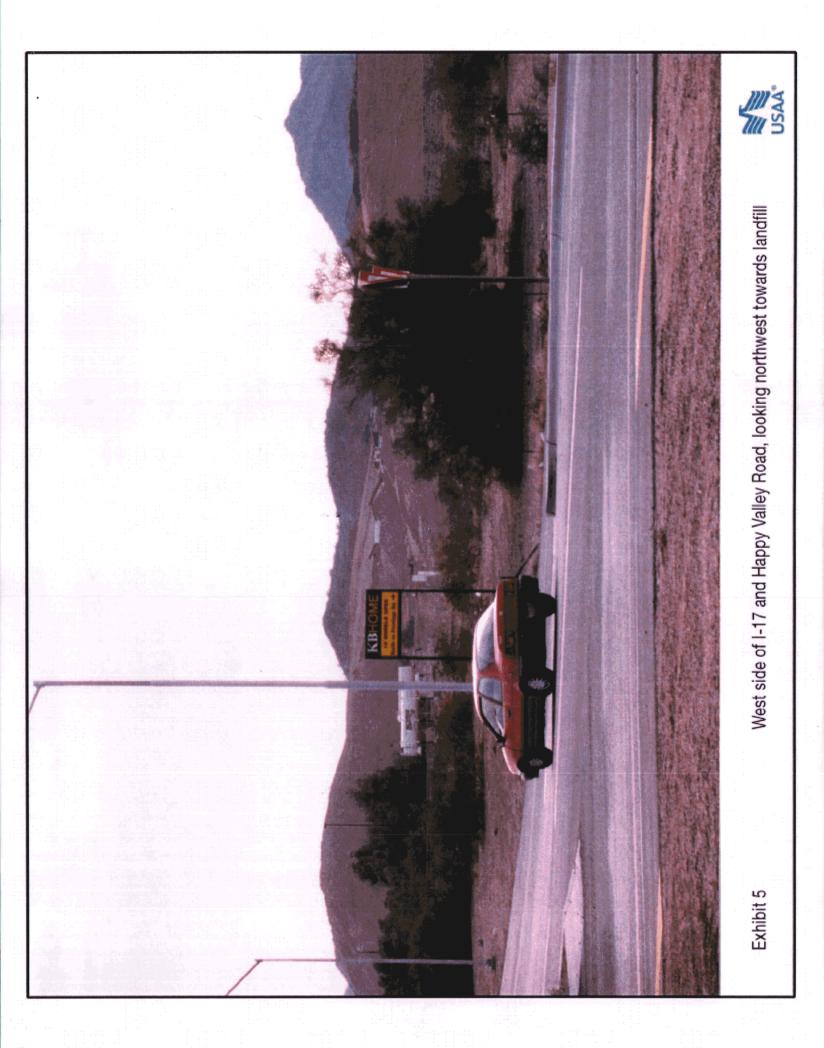


Exhibit 3

West side of I-17 at Juana Court, looking south at 69kV line & setbacks



KB home under construction, looking south towards landfill





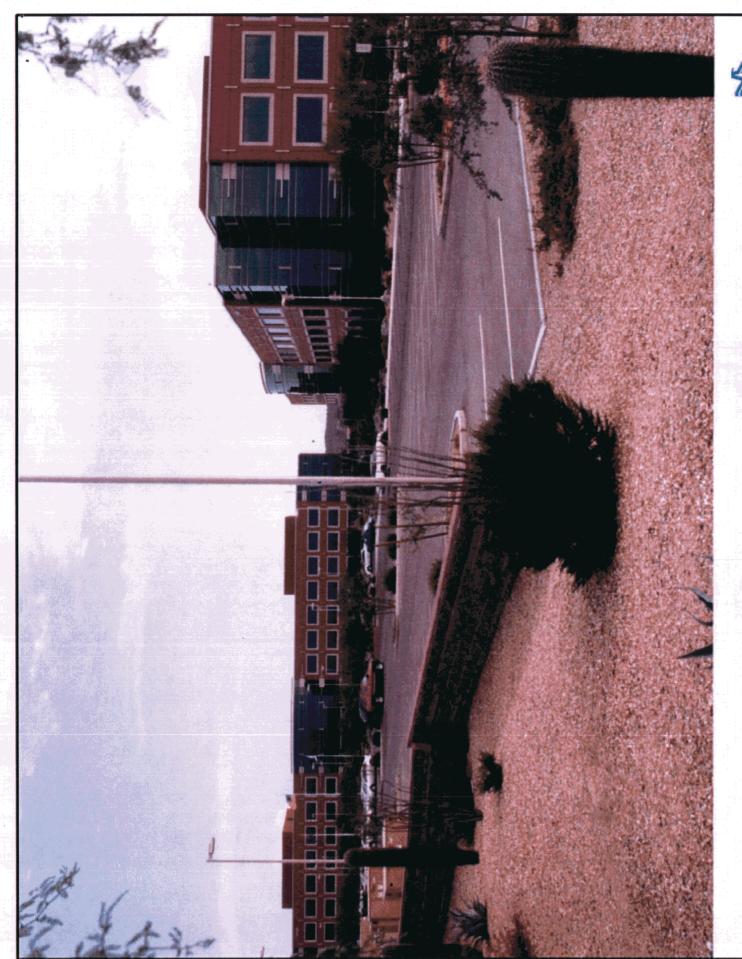
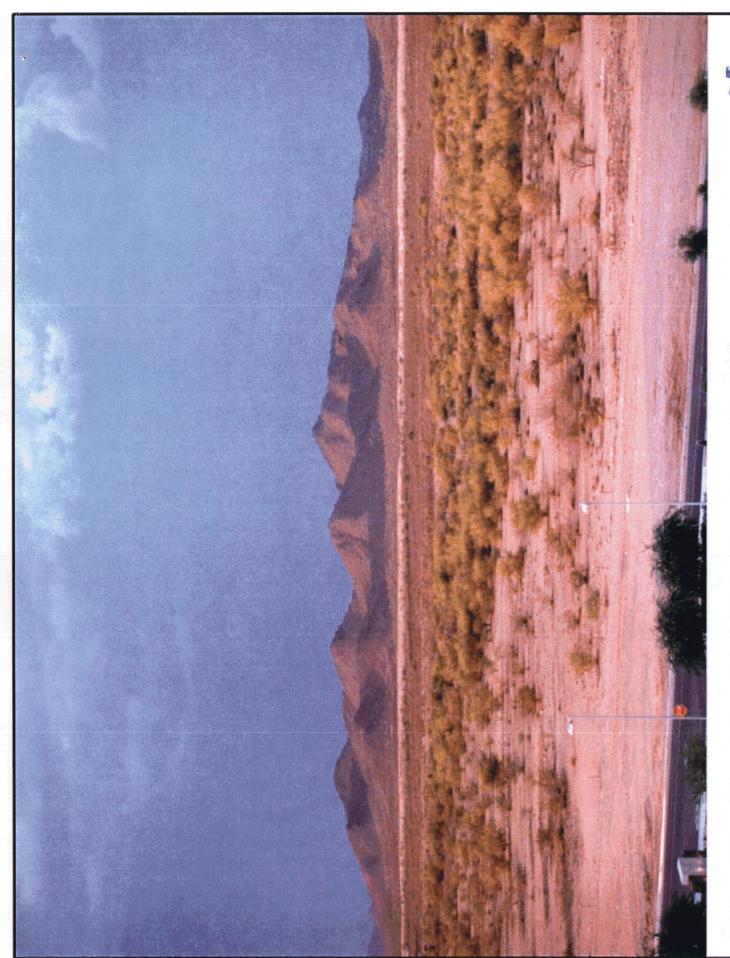


Exhibit 7

East side of I-17 at frontage road, near USAA property entrance, looking northwest



NSAA.

Vista looking east from USAA parking building

# Norterra Campus Concept Plan

